

**SANTA MONICA BAY  
RESTORATION FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

# **SANTA MONICA BAY RESTORATION FOUNDATION**

## **FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Santa Monica Bay Restoration Foundation

### Report on the Financial Statements

We have audited the accompanying financial statements of Santa Monica Bay Restoration Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Santa Monica Bay Restoration Foundation

**Other Matters - Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report February 12, 2014 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Green Hasson & Janks LLP*

February 12, 2014  
Los Angeles, California

# SANTA MONICA BAY RESTORATION FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2013

<b>ASSETS</b>	Unrestricted	Temporarily Restricted	Total
Cash	\$ 484,471	\$ 220,791	\$ 705,262
Investments	9,807	-	9,807
Accounts Receivable	646,852	-	646,852
Contributions Receivable	26,719	-	26,719
Prepaid Expenses	21,325	-	21,325
<b><i>TOTAL ASSETS</i></b>	<b><i>\$ 1,189,174</i></b>	<b><i>\$ 220,791</i></b>	<b><i>\$ 1,409,965</i></b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ 293,862	\$ -	\$ 293,862
Accrued Liabilities	71,867	-	71,867
Deferred Revenue	179,609	-	179,609
<b><i>TOTAL LIABILITIES</i></b>	<b><i>545,338</i></b>	<b><i>-</i></b>	<b><i>545,338</i></b>
<b>NET ASSETS:</b>			
Unrestricted	643,836	-	643,836
Temporarily Restricted	-	220,791	220,791
<b><i>TOTAL NET ASSETS</i></b>	<b><i>643,836</i></b>	<b><i>220,791</i></b>	<b><i>864,627</i></b>
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b><i>\$ 1,189,174</i></b>	<b><i>\$ 220,791</i></b>	<b><i>\$ 1,409,965</i></b>

The Accompanying Notes are an Integral Part of These Financial Statements

# SANTA MONICA BAY RESTORATION FOUNDATION

## STATEMENT OF ACTIVITIES Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT:</b>			
Federal Grants and Contracts	\$ 847,431	\$ -	\$ 847,431
Non-Federal Grants and Contracts	883,989	-	883,989
Contributed Goods, Services and Facilities	171,982	-	171,982
Contributions	62,641	-	62,641
<b><i>TOTAL REVENUE AND SUPPORT</i></b>	1,966,043	-	1,966,043
<b>EXPENSES:</b>			
Program Services	1,721,334	-	1,721,334
Support Services	219,200	-	219,200
<b><i>TOTAL EXPENSES</i></b>	1,940,534	-	1,940,534
<b><i>CHANGE IN NET ASSETS</i></b>	25,509	-	25,509
Net Assets - Beginning of Year	618,327	220,791	839,118
<b><i>NET ASSETS - END OF YEAR</i></b>	<u>\$ 643,836</u>	<u>\$ 220,791</u>	<u>\$ 864,627</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# SANTA MONICA BAY RESTORATION FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2013

	Program Services	Support Services		Total Support Services	Total Expenses
		Management and General	Fundraising		
Salaries	\$ 728,778	\$ 62,148	\$ 245	\$ 62,393	\$ 791,171
Payroll Taxes and Employee Benefits	124,011	10,575	42	10,617	134,628
<b>TOTAL PERSONNEL COSTS</b>	852,789	72,723	287	73,010	925,799
Contract Services	598,443	-	-	-	598,443
Rent - In-Kind	140,572	11,988	47	12,035	152,607
Supplies and Materials	83,199	26,991	-	26,991	110,190
Professional Fees	-	67,246	-	67,246	67,246
Travel	31,694	1,611	-	1,611	33,305
Professional Services - In-Kind	-	19,375	-	19,375	19,375
Administrative Fees	-	16,348	-	16,348	16,348
Insurance	14,637	2,584	-	2,584	17,221
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 1,721,334</u>	<u>\$ 218,866</u>	<u>\$ 334</u>	<u>\$ 219,200</u>	<u>\$ 1,940,534</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# SANTA MONICA BAY RESTORATION FOUNDATION

## STATEMENT OF CASH FLOWS Year Ended June 30, 2013

### **CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	\$	25,509
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Interest Income Reinvested		(32)
(Increase) Decrease in:		
Accounts Receivable		34,122
Contributions Receivable		(26,719)
Prepaid Expenses		(13,300)
Increase (Decrease) in:		
Accounts Payable		(66,545)
Accrued Liabilities		(19,626)
Deferred Revenue		<u>107,727</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		41,136
<b>NET INCREASE IN CASH</b>		41,136
Cash - Beginning of Year		<u>664,126</u>
<b>CASH - END OF YEAR</b>	\$	<u><u>705,262</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements



# **SANTA MONICA BAY RESTORATION FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

### **NOTE 1 - ORGANIZATION**

In December 1988, in recognition of the need to restore and protect the Santa Monica Bay and its resources, the State of California and the U.S. Environmental Protection Agency established the Santa Monica Bay Restoration Project as a National Estuary Program - designating the Bay as a "nationally significant estuary." The Project was formed to develop a plan that would ensure the long-term health of the 266-square mile Bay and its 400-square mile watershed. That plan, known as the Santa Monica Bay Restoration Plan, won State and Federal approval in 1995. Since then, the primary mission of the Santa Monica Bay Restoration Foundation (the Foundation) has been to facilitate and oversee implementation of the Bay Plan.

The Foundation is a non-profit public benefit corporation. At the formation of the Foundation in April of 1990, the following Mission Statement was adopted by the Board of Directors:

*"The purpose of the Santa Monica Bay Restoration Foundation is to provide a funding mechanism for activities that will lead to the restoration and enhancement of the Santa Monica Bay.*

*The Santa Monica Bay Restoration Foundation will serve as an independent fundraising vehicle that can attract research, planning and implementation funds from cities, counties, special districts, private foundations and industry.*

*The goals of the Santa Monica Bay Restoration Foundation shall be compatible with the goals of the Santa Monica Bay Restoration Project."*

On January 1, 2003, the Santa Monica Bay Restoration Project formally became an independent state organization and was renamed as the Santa Monica Bay Restoration Commission. The Commission was established by Senate Bill 1381 in 2002 as a non-regulatory, locally-based state government entity that monitors, assesses, coordinates and advises all state programs and oversees funding that affects the beneficial uses, restoration and enhancement of Santa Monica Bay and its watersheds.

The Commission brings together local, State, and Federal agencies, environmental groups, businesses, scientists, and members of the general public on its 34-member Governing Board, the Commission's main policy-making body. Watershed stakeholders are also represented on the Commission's two main advisory bodies: the broader Bay Watershed Council and the Technical Advisory Committee. Together, the Governing Board, the Bay Watershed Council, and the Technical Advisory Committee work to carry on implementation of the Bay Plan.

Since January 2003, the Foundation has complemented the work of the Santa Monica Bay Restoration Commission as directed by its Board of Directors and continued to provide assistance in the restoration and enhancement of the Santa Monica Bay and other coastal waters.

In October 2013, the Santa Monica Bay Restoration Foundation filed a DBA with the Los Angeles County Registrar / Recorder to do business as: The Bay Foundation. The Foundation commenced to transact business under this business name, The Bay Foundation, in October 2013.

# **SANTA MONICA BAY RESTORATION FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) BASIS OF PRESENTATION**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **(b) ACCOUNTING**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted.** The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. The Foundation has \$220,791 of temporarily restricted net assets at June 30, 2013.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Foundation to expend all of the income (or other economic benefits) derived from the donated assets. The Foundation has no permanently restricted net assets at June 30, 2013.

#### **(c) CASH**

The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

#### **(d) INVESTMENTS**

The Foundation's investment is in a certificate of deposit and is reported at fair value on the statement of financial position. Investment income is reflected in the statement of activities as an increase or decrease in unrestricted net assets unless its use is restricted by donor stipulation or law.

# **SANTA MONICA BAY RESTORATION FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(e) ACCOUNTS RECEIVABLE**

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents the estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. All accounts receivable are considered collectable; therefore, no allowance for doubtful accounts has been provided at June 30, 2013.

#### **(f) CONTRIBUTIONS RECEIVABLE**

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received and due within one year. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

At June 30, 2013, the Foundation evaluated the collectibility of pledges receivable and determined that no allowance for uncollectible pledges was necessary.

#### **(g) CONCENTRATION OF CREDIT RISK**

The accounts receivable balance outstanding at June 30, 2013 consists primarily of government contract receivables due from the state and federal granting agencies. Concentration of credit risk with respect to trade receivables is limited as the majority of the Foundation's receivables consist of earned fees from contracts granted by governmental agencies.

Approximately 30% of the Foundation's revenue and support is provided by the U.S. Environmental Protection Agency and 13% provided by the Department of Commerce. The Foundation anticipates that it will continue to receive these funds. There can be no assurance that the Foundation will be able to obtain future grant agreements upon the expiration of the current term of the contracts.

#### **(h) DEFERRED REVENUE**

Deferred revenue represents monies received for existing government contracts, which have not been earned as of the year end. At June 30, 2013, deferred revenue amounted to \$179,609.

# **SANTA MONICA BAY RESTORATION FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(i) CONTRIBUTED GOODS, SERVICES AND FACILITIES**

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Los Angeles Regional Water Quality Control Board has contributed the use of program and administration facilities to the Foundation on a month-to-month basis. Contributed goods, services and facilities were valued at \$171,982 for the year ended June 30, 2013.

#### **(j) INCOME TAXES**

The Foundation is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

#### **(k) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the Foundation's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit using time records and percentage of use estimates.

#### **(l) USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

#### **(m) SUBSEQUENT EVENTS**

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2013 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 12, 2014, the date these financial statements were available to be issued. Refer to Note 1 regarding the Foundation's DBA. No other material events or transactions were noted to have occurred.

### **NOTE 3 - FAIR VALUE MEASUREMENTS**

The Foundation has implemented the accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

# SANTA MONICA BAY RESTORATION FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2013 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2013	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of Deposit	\$ 9,807	\$ -	\$ 9,807	\$ -

The fair value of the certificate of deposit was determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The Foundation recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments related to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2013.

### NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 consist of the following:

Accrued Vacation	\$ 62,125
Pension Contribution	9,742
<b><i>TOTAL ACCRUED LIABILITIES</i></b>	<b><i>\$ 71,867</i></b>

### NOTE 5 - CONTRIBUTED GOODS, SERVICES AND FACILITIES

In-kind contributions for the year ended June 30, 2013 consist of the following:

Use of Facility	\$ 152,607
Professional Services	19,375
<b><i>TOTAL CONTRIBUTED GOODS, SERVICES AND FACILITIES</i></b>	<b><i>\$ 171,982</i></b>

# **SANTA MONICA BAY RESTORATION FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

### **NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2013 consist of the following:

Supplemental Environmental Projects:		
Redondo Beach Outreach Program	\$	90,804
Rocky Intertidal Community Program		89,487
General		<u>40,500</u>
<b><i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i></b>	<b>\$</b>	<b><u>220,791</u></b>

### **NOTE 7 - PENSION PLAN**

During the year ended June 30, 2013, the Foundation sponsored two defined contribution pension plans, the Simplified Employee Pension (SEP) Plan and the 401(k) Plan.

The Foundation established a Simplified Employee Pension (SEP) Plan for all eligible employees who are at least 21 years old and have performed services in at least two years of the immediately preceding five years. The Plan was subject to applicable laws and regulations. The amount of the contribution for the plan for each fiscal year was set by the Foundation at the beginning of that year. Effective April 1, 2012, the SEP Plan was supplanted by the 401(k) Plan.

The 401(k) Plan is available to all employees who completed an introductory evaluation period of 60 days in a satisfactory manner and are full-time employees. Employees eligible to receive employer contributions must have completed one year of service as a full-time employee as of December 31. The Foundation makes discretionary contributions to the 401(k) Plan, at its sole discretion and may adjust the amount of the contribution at any time. Employees become 100% vested in their accounts after one year of service.

The Foundation made a 2% matching contribution totaling \$15,501 to the 401(k) Plan during the year ended June 30, 2013.

### **NOTE 8 - COMMITMENTS AND CONTINGENCIES**

The Foundation's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated, and accordingly, the Foundation has no provision for the possible disallowance of program costs on its financial statements.

**SANTA MONICA BAY  
RESTORATION FOUNDATION**

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

**SANTA MONICA BAY RESTORATION FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2013

<b>FEDERAL AWARDS</b> Agency - Program Grant Title	<u>Grant Period</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Program Expenditures</u>
<b>MAJOR AWARDS</b>				
U.S. Environmental Protection Agency National Estuary Program	10/1/11 to 9/30/13	CE-00T74501-0	66.456	\$ 515,514
National Estuary Program Wetlands Program Development Grant	10/1/11 to 10/31/14	CD-00T73001-0	66.461	<u>57,956</u>
<b>TOTAL MAJOR AWARDS</b>				573,470
<b>NON-MAJOR AWARDS</b>				
Department of Commerce National Oceanic and Atmospheric Administration Passed through The Nature Conservancy Southern California Abalone and Kelp Forest Habitat Restoration Project	1/12/12 to 12/31/13	MAR SMB 011512	11.463	17,964
Department of Commerce National Oceanic and Atmospheric Administration DAARP Settlement and Restoration Program	5/1/12 to 12/31/13	8006.08.036328	11.463	242,420
U.S. Environmental Protection Agency Passed through State Water Resource Control Board Capitalization Grants for Clean Water State Revolving Funds - ARRA	9/30/09 to 12/31/12	09-847-550	66.458	<u>13,577</u>
<b>TOTAL NON-MAJOR AWARDS</b>				<u>273,961</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 847,431</u>

**Summary of Significant Accounting Policies:**

1. Basis of Accounting - The Schedule of Expenditures of Federal Awards is reported on the accrual basis of accounting.
2. The Foundation is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See Independent Auditor's Report